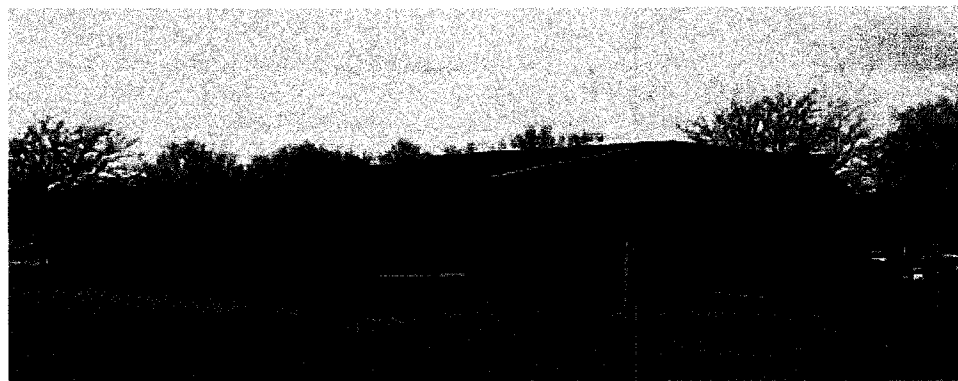
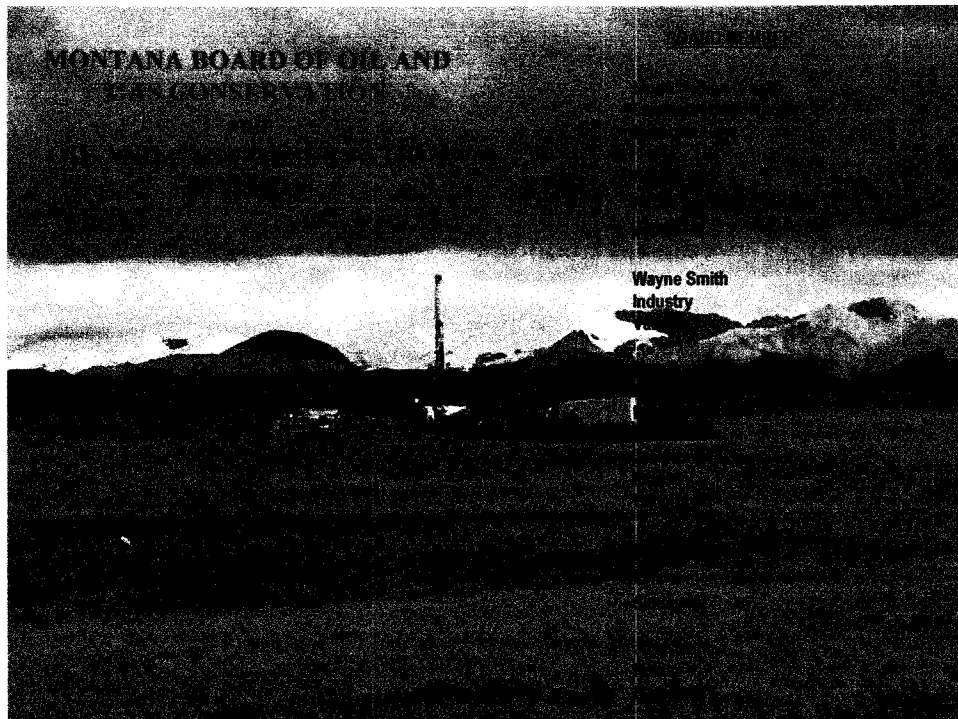


12

EXHIBIT 12
DATE 1/12/09
MS



Oil and Gas Division:

- Issues drilling, work over, abandonment permits
- Maintains well and production data
- Operates Underground Injection Control program
- Inspects drilling, producing and seismic operations
- Plugs orphan wells
- Provides Technical/procedural assistance

“Conservation” Regulations

- Conservation by Promoting Maximum Ultimate Recovery
- Prevent Physical and Economic Waste
- Protect the Correlative Rights of Owners

Operating Regulations

- Protect Public Safety and Health
- Protect the environment
- Maintain Production Data and Well Records

Montana Oil and Gas Regulation

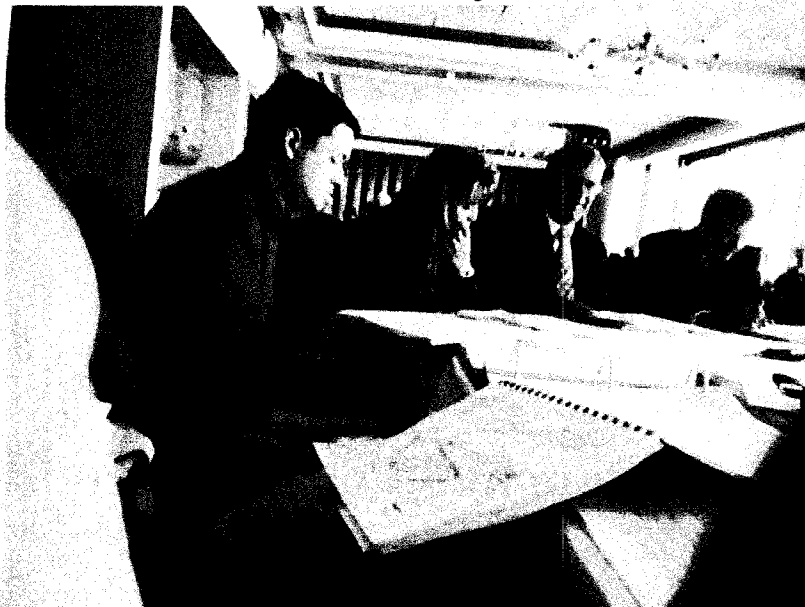
Powers and Duties of the Board:

1. make investigations to determine whether waste exists
2. prevent damage to land or underground strata caused by drilling operations and production; regulate the disposal of all field wastes
3. classify wells
4. adopt and enforce rules and orders

Montana Oil and Gas Regulation

5. regulate the drilling, producing, and plugging of wells, the shooting and chemical treatment of wells, the spacing of wells, operations voluntarily entered into to increase ultimate recovery such as cycling of gas, the maintenance of pressure, and the introduction of gas, water, or other substances into producing formations; and
6. fix, upon application made by any interested person, efficient gas-oil and water-oil ratios for any particular well or wells.

Public Hearing



2008 Board Activities

2008 Summary

Permits

New Wells	696	Re-issued Permits	450
Vertical Wells	612		
Horizontal Wells	84		
Permits for Horizontal Re-entry Of Existing Vertical		3	

Board Orders

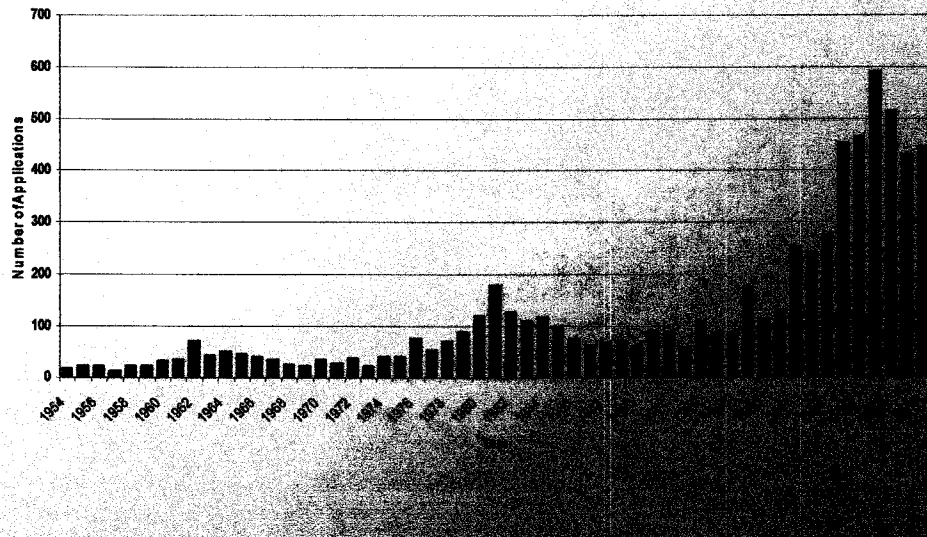
Total Number Of Orders Issued	388
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Orders Included The Following Actions:

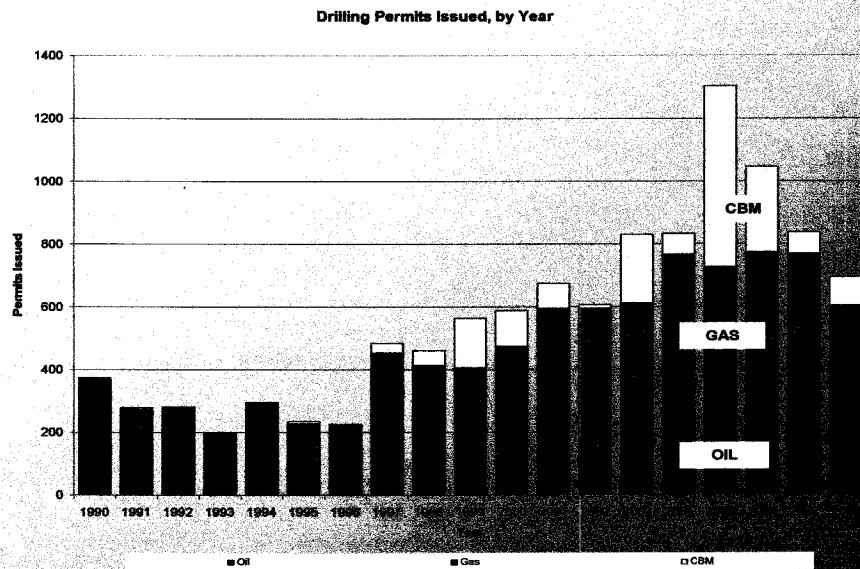
Units Or Enhanced Recovery Projects	2
Exception To Spacing Or Field Rules	145
Field Delineation, Enlargement, Or Reduction	22
Certification For Tax Incentive	1
Temporary Or Permanent Spacing Unit	11
Class II Injection Permits	
Other	

Historical Board Activities

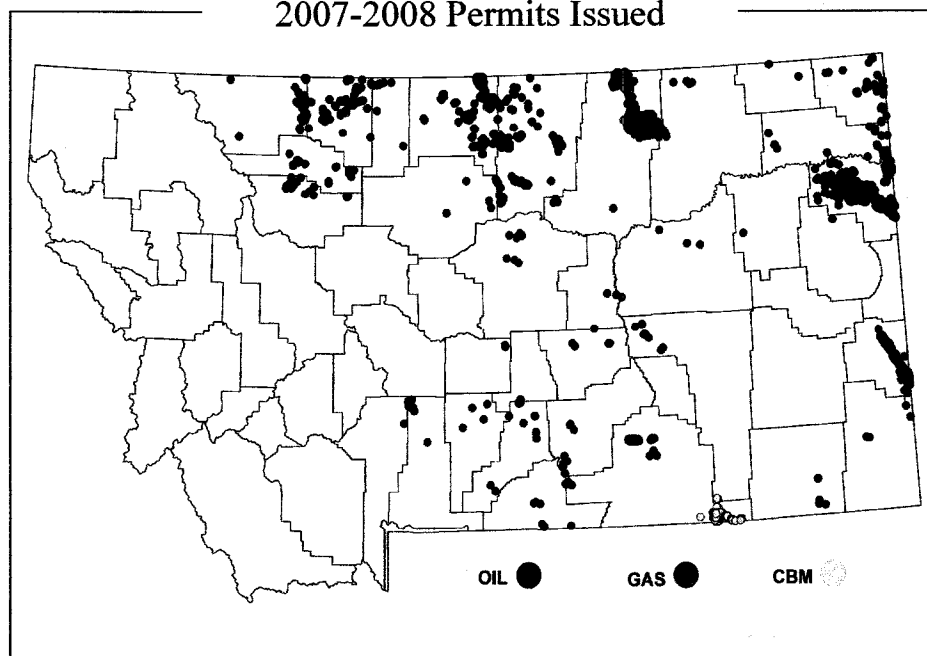
Hearing Applications Processed, by Year



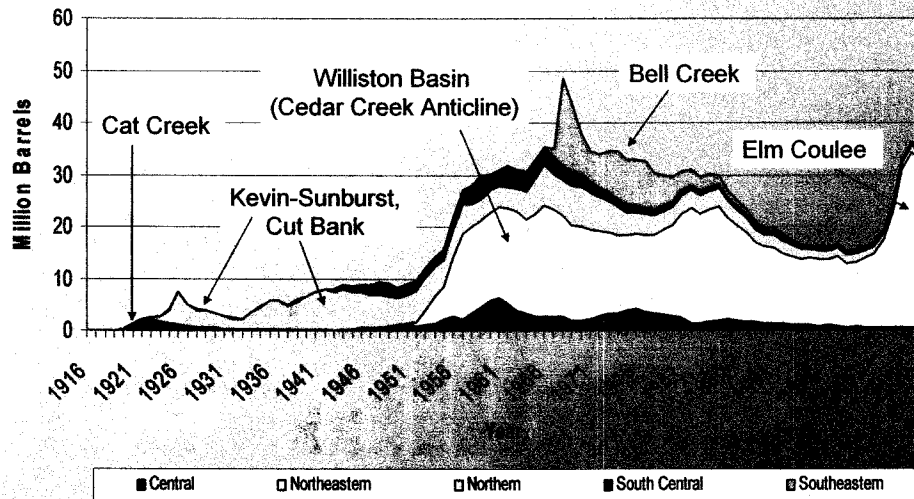
Historical Permits Issued



2007-2008 Permits Issued

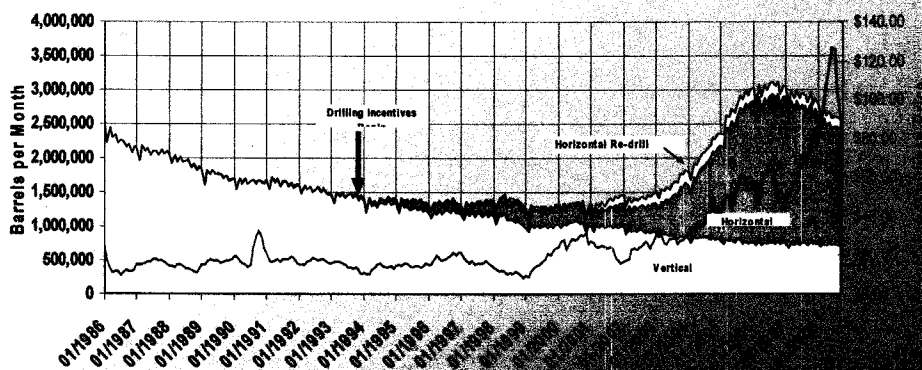


Annual Oil Production, 1916 through 2007

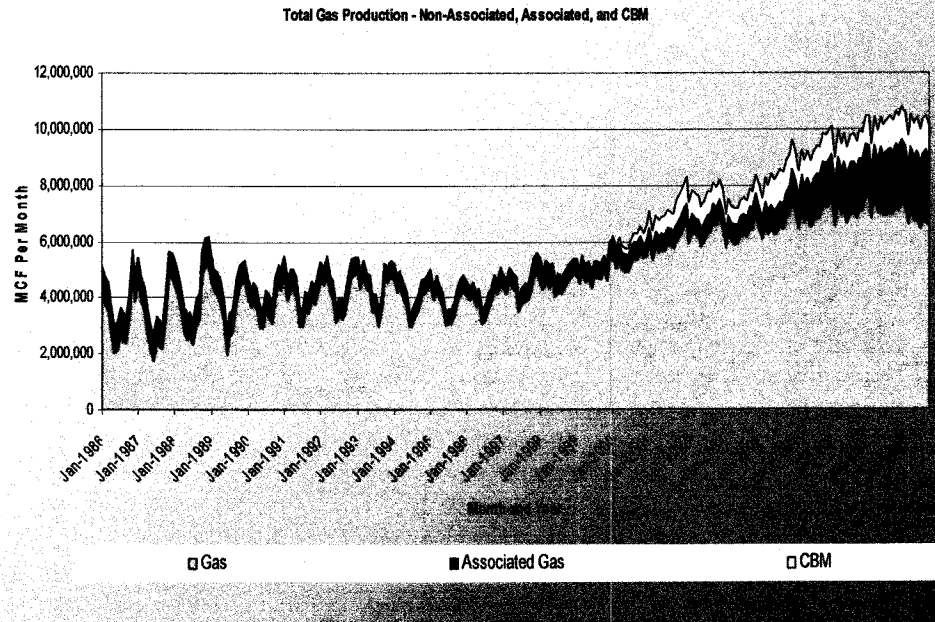


Monthly Production 1986-2008

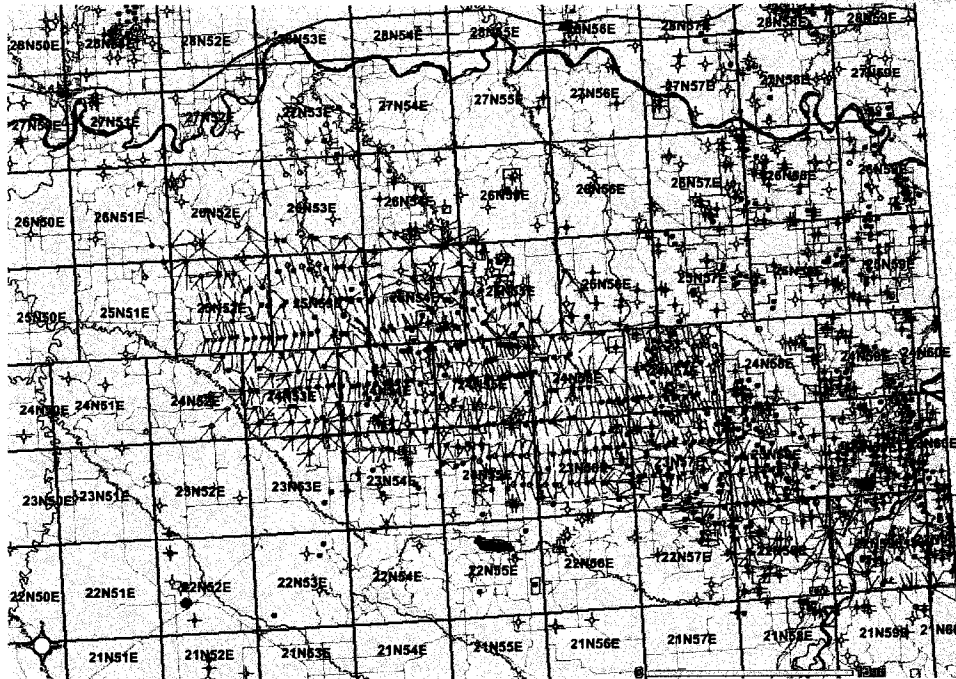
Montana Monthly Oil Production, Vertical vs. Horizontal Wells
January 1986 through September 2008

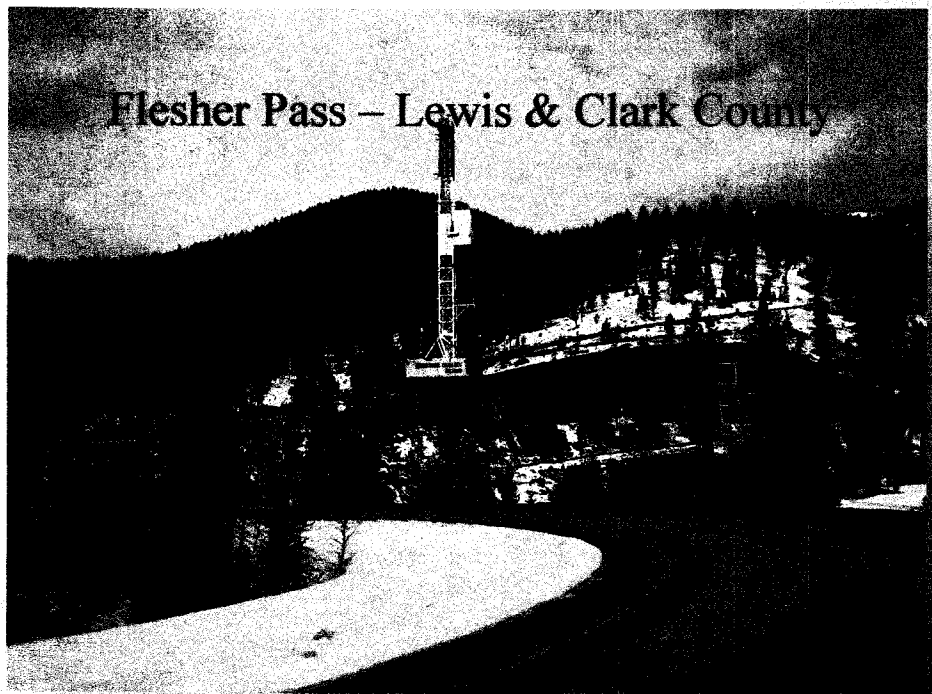
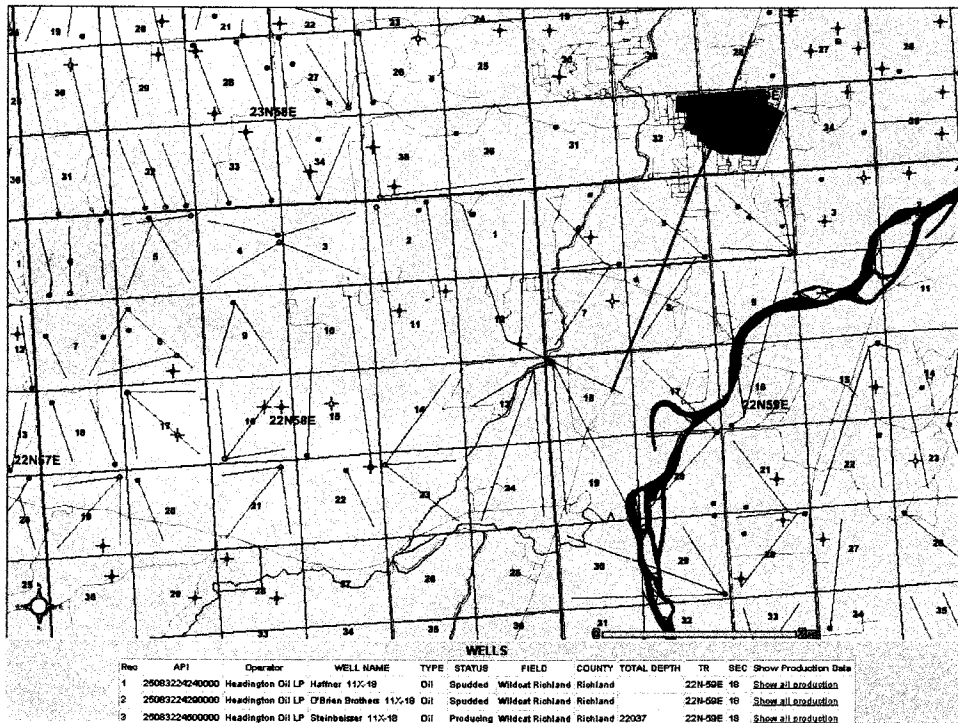


Monthly Gas Production

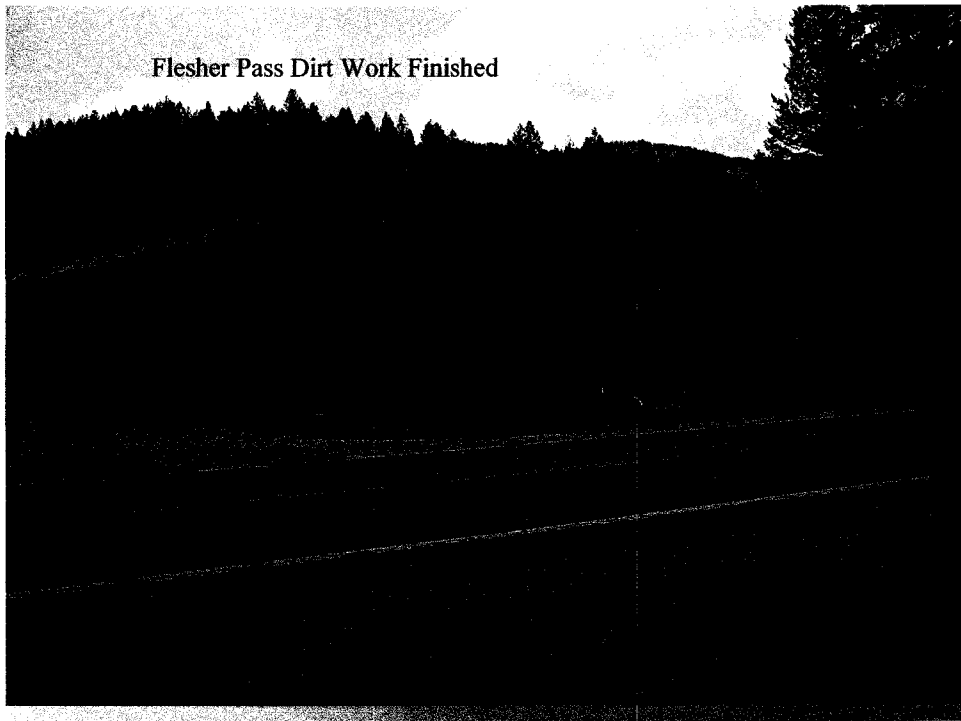


Elm Coulee

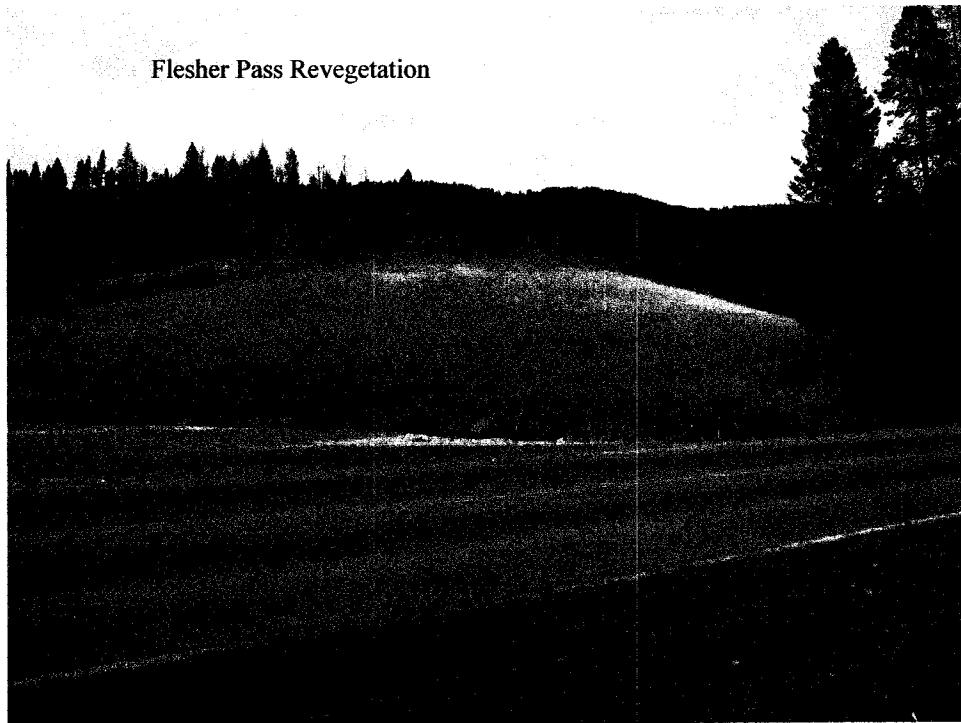




Flesher Pass Dirt Work Finished



Flesher Pass Revegetation



Issues (Partial List)

- **Split Estate Issues**
- **Hydraulic Fracturing**
- **Sage Grouse and Wildlife Conflicts**
- **CBM Issues**
 - Water management and beneficial use
 - Injection well issues
- **Enhanced Recovery in Elm Coulee**
- **Carbon Capture and Storage**
 - Regulatory Framework
 - Pore Space Ownership